

Subject: Testimony on BILL 16, CD2, FD1 – EXECUTIVE CAPITAL BUDGET

To: Chair Todd Apo and Members of the City Council

Hearing: 10:00 a.m. Wednesday, June 10, 2009
City Council Chamber, City Hall
530 S. King Street
Honolulu, Hawaii 96813

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Chair Apo and honorable members: Please accept this testimony supporting only Version “A” of Bill 16, CD2, FD1. My comments concern a single item, Project 2007005, the “Honolulu High Capacity Transit Project.” Due to its cost, the other versions of Bill 16 will require issuance of general obligation bonds. With no system fare box revenues before 2014 at the earliest, and uncertainty concerning future receipt of federal funds, debt service is likely to bring about another near-term increase in property taxes. How can this council even think about funding the transit project with a total fiscal year (FY) 2010 allocation of \$1.077 billion with the city facing a \$50 million shortfall and the state in the midst of a recession?

State taxpayers are the same people (including government employees who may have to agree to furlough days) who will see the city raise their property taxes to meet interest payments on the bonds. Former governor Ben Cayetano has already supported raiding the transit fund to reduce the state’s debt. I do not support that—and remain unhappy about the state “raking off” ten percent of the surcharge for the general fund—but the more inflexible this council is on transit, the more likely we are to see “unpleasant surprises” in the future.

You are well aware of what I believe are the superior operating capabilities of the HSST urban magnetic levitation (mag-lev) system but, since this is about the budget, I will limit my testimony to costs. Several rail supporters have advised me that they are willing to see all transit funding for FY 2010 eliminated in an effort to get the project done correctly. I am not prepared to join their ranks because I still want to see some progress and am willing to accept some “pump priming” as a means to boost the economy; however, you must address the cost shortfall realistically. If this means delaying the major portion of the transit project for a year, it could result in a considerable economic benefit. If you read my comments on the Environmental Impact Statement (EIS), you are aware that I am not satisfied with the work done by the city’s contractors, who apparently acted under orders to justify what the administration wanted. Perhaps a more even-handed approach can be made by the personnel to be added to the Department of Transportation Services under the provisions of Bill 15.

If the EIS is rewritten for a full evaluation and the technology competition is re-opened to all qualified rail producers—and either a conventional monorail or mag-lev system is chosen—the construction allocation can be drastically reduced. Based on EIS data, year of expenditure dollars for the guideway work out to about \$133 million per mile for a steel wheel on steel rail (SWSR) system, compared to less than \$105 million for the HSST (based on conservative supplier savings estimates). The first guideway segment of 6.5 miles would cost about \$864,500,000 for SWSR, over a construction period of perhaps five years, but only \$682,500,000 for the HSST, a savings of \$182 million, with savings of \$570 million for the 20-mile minimum operable segment and total savings of more than \$840 million if the alignment eventually reaches 30 miles. The City Council cannot realistically ignore such costs savings.

The city rushed to release three project-related Requests for Proposals (RFPs), and intends to place one under contract before the end of this (calendar) year, primarily to get construction of a guideway—obviously planned for SWSR—under way before the financial impact of such a system becomes apparent to taxpayers. Rather than even consider the possibility of saving money the city, in fact, added \$500,000 to the budget (from the amount in the first RFP), making the guideway construction contract losers' stipend a total of \$1,500,000. That money will be expended in FY 2010 if the city's construction contract is awarded on its planned schedule; guess from whose pockets those funds will come.

I wonder how many of you have read all 2,130 pages of the draft EIS or the 1,389 pages of comments on the EIS—as I have. Comments recently released on the EIS indicate many organizations and individuals not only opposing SWSR as the system technology but questioning the (lack of a) process for evaluating other qualified fixed-rail systems. The RFPs already released long before the EIS goes final seem to violate Federal Transit Administration (FTA) guidelines that state, according to the American Planning Association Hawaii Chapter (APAHI): “FTA does not want cities to tie their hands to one vendor and technology before the environmental impacts of that technology have been fully explored in an EIS. The risks of first selecting a vendor and technology are: (a) some of the environmental impacts of that technology may not be publicly disclosed during the planning stage; and (b) it may not be possible to mitigate the adverse impacts of that technology.” This EIS is a justification—not an evaluation. I have asked before why Councilman Gary Okino, who is an APAHI member, is so opposed to an open technology competition. If steel on steel is best, Mr. Okino has nothing to fear.

This council can start exerting its influence on the transit project by also resurrecting Bill 31, for a “single master contractor” and for no expenditure of city funds until a Full Funding Grant Agreement is reached with FTA. Bill 31 is currently “in limbo” because Councilman Okino will not place it on his committee's agenda, apparently believing that giving Hawaiian names to transit stations is more important than addressing the contracting process for a multi-billion

dollar project. It is my understanding that Bill 31 can be brought forward by five members of the full council; that should be an item on the next council agenda.

The city can do its part for fiscal responsibility by placing current RFPs on hold and issuing no new RFP until the final EIS is approved—and there is no need to “break ground” before federal funds are specifically designated for the rail project. SWSR advocates claim that delays will result in higher costs, but that is not necessarily true. What if labor and materials costs decrease because of the recession? What if non-SWSR suppliers submit lower bids? Just having those systems’ suppliers in the competition will force SWSR companies to submit “tighter” cost proposals.

It is still possible to implement this transit project correctly, efficiently, and ethically. If that were the case to date, my testimony would be different. Instead, the project has been characterized by the administration misleading its supporters, making promises (even to this council) that were never planned to be kept, implementing a (so-called) technology panel characterized by one of its members as a “farce,” and spending taxpayer funds on a “disinformation” campaign designed (successfully, as it turned out) to make voters believe that “rail” means only SWSR. To get this right, the first step for the best course of action will be to pass Version “A” of Bill 16. Mahalo and Aloha.

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